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December 6, 2004

California Energy Commission
Dockets Office
1516 Ninth Street, MS-4
Sacramento, CA 95814-5512

RE: Docket No. 04-IEP-01 Proposal to Assess Electricity Supply, Resource, and Bulk Transmission Planning Data, November 18 Workshop

Dear Commissioners:

San Diego Gas and Electric (SDG&E) appreciates the opportunity to provide its comments on the staff paper titled, *Proposal to Assess Supply, Resources and Bulk Transmission Planning Data*, which was publicly discussed at the recent 2005 Integrated Energy Policy Report workshop on energy supply and bulk electric transmission. SDG&E has several concerns with directives of this study and proper state agency coordination in order to prevent duplication and delays in building new transmission. SDG&E applauds the California Energy Commission's (CEC) efforts to improve electric transmission in California and is prepared to work with the commission to ensure the state achieves this goal.

Background

The CEC is by required by legislative mandate to adopt a statewide strategic grid plan that will build on the California Independent System Operator's (ISO) annual grid planning process and submittals of load serving entities (LSE), and the 2005 Integrated Energy Policy Report record. As part of this process, CEC staff is requesting each LSE to provide a description of the transmission planning and approval process, and data on the specific transmission projects identified through these studies.

As suggested by the CEC at the November 18, 2004 workshop, the CEC will be requesting the LSEs to provide data by March 1, 2005. This data collection includes submission of data tables similar to the AB 970 (Chapter 329, Statutes of 2000) monthly compliance report.¹ In addition, the CEC has indicated that detailed economic studies will be required for large projects, which would include an assessment of strategic benefits and corridors.

SDG&E has several concerns regarding these directives that have their roots in the following questions about the detailed economic studies required for the CEC's evaluation of major transmission projects:

Economic Evaluation of Projects

- Would the sponsoring Participating Transmission Owner (PTO) be the responsible party for performing the economic analysis of the proposed project? Currently, a standard, pre-approved, commonly accepted approach to perform an economic assessment of transmission alternatives does not exist. Thus, such an analysis would be impossible to provide to the ISO by March 1, 2005.

¹ This report is submitted monthly to the CPUC by the PTOs. A similar report is also filed with the ISO on a monthly basis.

- Will a standardized methodology, endorsed up front by all relevant state agencies, entities, and stakeholders, be implemented to perform this analysis? Or are the utilities left to their own devices to invent what state agencies have not been able to agree upon after many months of effort?
- Should a CPUC decision be issued on the TEAM methodology (currently under review in the CPUC's AB 970 proceeding) before PTOs are required to implement an economic methodology?
- Will the economic methodology utilize a zonal or nodal model?
- Will there be a standard cost production model database to be used for the economic analysis?
- Will economic analysis be required by the CEC for projects already proposed and approved by the ISO?
- Who would perform the economic analysis required for a joint project?
- Where/how does this process fit within the ISO's grid planning process? Or within the CPUC's CPCN process? Redundant efforts appear inevitable based on the current landscape of ISO, CPUC, and CEC requirements for justification of major transmission projects.

Redundancy of Existing Processes

SDG&E is concerned that without proper coordination there will be unnecessary duplicative efforts and possibly disastrous delays in building new transmission. Currently, for example, after the PTO proposes a project, it is reviewed and approved by the ISO staff. For those projects greater than \$20 million, additional approval by the ISO Board is required. In addition, many proposed projects require CPUC approval, through a PTC or CPCN. Are these the processes to which the CEC is now proposing to add an additional layer of approval?

The reporting of data also appears to create another duplicative process. The PTOs currently file monthly compliance reports with both the CPUC and the ISO that appear to have the same information that the CEC now seeks in the proposed data collection effort.

Conclusion

SDG&E hopes the CEC will use its upcoming 2005 IEPR assessment of resource plans and transmission plans in a manner that reduces redundant effort and facilitates the timely planning and construction of needed transmission infrastructure. At this time, however, SDG&E respectfully observes that an additional layer of review and justification for transmission projects appears on the horizon that does not appear to foster streamlining of existing duplicative requirements.

Sincerely,

Bernie Orazco